

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Corporate Manager – Internal Audit	Report Number: JAC55
To: Joint Audit and Standards Committee	Date of meeting: 15 June 2015

JOINT ANNUAL GOVERNANCE STATEMENT 2014/15

1. Purpose of Report

- 1.1 The purpose of this report is to enable the Committee to be satisfied that the Joint Annual Governance Statement (AGS), to accompany each Council’s financial accounts 2014/15, properly reflects the risk environment and any actions required to improve it.

2. Recommendations

- 2.1 That Councillors satisfy themselves that the Joint Annual Governance Statement (AGS) 2014/15 (Appendix A to this report) properly reflects the risk environment and any actions taken to improve it.
- 2.2 That subject to 2.1 above, the AGS be endorsed subject to the Head of Corporate Organisation being authorised to make any minor amendments and corrections prior to the Statement being finalised for publication.
- 2.3 Further that approval of any significant amendments identified by the Head of Corporate Organisation be delegated to him in consultation with the Chairs of the Committee.
- 2.4 That it be noted that the finalised AGS will be signed by the Leader of each Council on behalf of the respective Council together with the Chief Executive on behalf of both Councils.

The Committee is able to resolve this matter.

3. Financial Implications

- 3.1 There are no direct financial implications as a result of this report.

4. Risk Management

- 4.1 A strong internal control environment contributes to the overall effective management of each Council and will help minimise the risks of each Council failing to achieve its ambitions and priorities, and service improvements.

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to regularly monitor and improve the Councils’ arrangements could weaken corporate governance, have an impact on service delivery and lead to adverse comments from the External Auditor.	Highly Unlikely	Bad	Internal and External Audit help ensure a systemic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

5. Consultations

5.1 The AGS was prepared following input from key senior officers.

6. Equality Analysis

6.1 Equality and diversity implications have been considered within the AGS arrangements.

7. Shared Service / Partnership Implications

7.1 Through the integration process Babergh and Mid Suffolk have produced a joint AGS while still recognising the separate sovereign nature of the Councils.

8. Key Information

8.1 The Accounts and Audit Regulations 2011 require each Council to prepare and publish an AGS.

8.2 Governance is about how each Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values, by which the Council is directed and controlled and through which it is accountable to, engages with and, where appropriate, leads communities.

8.3 This committee is responsible for overseeing each Council's work around corporate governance. In 2012 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) reviewed and revised the approach to corporate governance and in November 2012 published a new framework for good governance. The new guidance builds on the previous assurance gathering process requiring authorities to review the effectiveness of its governance arrangements against the key elements of the systems and processes that compromise an authority's governance.

8.4 The AGS is required to be published to accompany the published statement of accounts.

8.5 The AGS 2014/15 has been prepared in consultation with senior officers and using information from the 2013/14 AGS which has been reviewed and updated to reflect the operation of each Council during 2014/15.

9. Appendices

Title	Location
A Joint Annual Governance Statement 2014/15	Attached

10. Background Documents

10.1 CIPFA/SOLACE framework – 'Delivering good Governance in Local Government – Addendum'

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Annual Governance Statement 2014/15



This Annual Governance Statement is presented as a joint statement of Babergh District Council (BDC) and Mid Suffolk District Council (MSDC).

What is Corporate Governance?

1. Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account.
2. Each Council's governance arrangements aim to ensure that it sets and meets its objectives and responsibilities in a lawful, timely, open, inclusive and honest manner and that its use of public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.

Setting the scene

3. Through an extensive programme, which included a Councillor-led community engagement element, the two councils identified their key strategic priorities for the coming years and published a new five-year Joint Strategic Plan in 2014. In order to support the delivery of this, and to allow the two councils to work closely together, a governance review was carried out resulting in a revised governance structure, with some joint committees and bodies and aligned Council Constitutions. A key element of this new approach was the development of a range of working groups for officers and councillors to work across both councils in developing policy approaches and initiatives to deliver the strategic priorities (through the Transformation Enquiry Groups). Following on from this Programme Steering Boards were set up as a means of monitoring and holding officers to account for programme delivery.
4. The Strategic Plan sets out how we, and the communities we serve, can shape the future for the better. It provides a sense of shared direction, pace and common purpose against which we can work with our communities to deliver the kinds of outcomes we jointly wish to see.
5. The Strategic Plan is supported by a delivery programme which sets out in detail the range of projects and work programmes which have been developed through the Transformation Enquiry Group process to deliver our visions and priorities; what else needs to be done, and how. It also provides the basis for resource allocation, management of delivery outcomes and outputs and the overall programme governance arrangements.

6. In response to the financial challenges faced, both councils have adopted a more strategic approach rather than by reducing existing budgets by small incremental steps. We consulted our communities, analysed community data, identified what matters to our communities and focussed on these outcomes – and are shifting resources to deliver them.

Community engagement

7. Below are just some examples of ‘Our Journey from the Community Perspective’:
 - Residents provided crucial information to the councils as part of the Suffolk-wide Housing Needs Survey to enable us and our partners to deliver the right type of housing to meet local need.
 - Residents in Holbrook and Eye fed in their ideas for future development in their area through ‘Place shaping’ events to ensure they develop sustainably.
 - 90% of local people responding to a customer satisfaction questionnaire told the councils that they were satisfied with the councils’ services. Residents also made suggestions for improvement.
 - Local people in Stradbroke worked in partnership with others to develop the Courthouse Community Hub.
 - Users of the planning service at Babergh are able to access enhanced self-service opportunities via the website e.g. new Planning Applications webpage.
 - Planning permission is granted for the first new council homes to be built for 30 years, providing much needed affordable homes for residents.

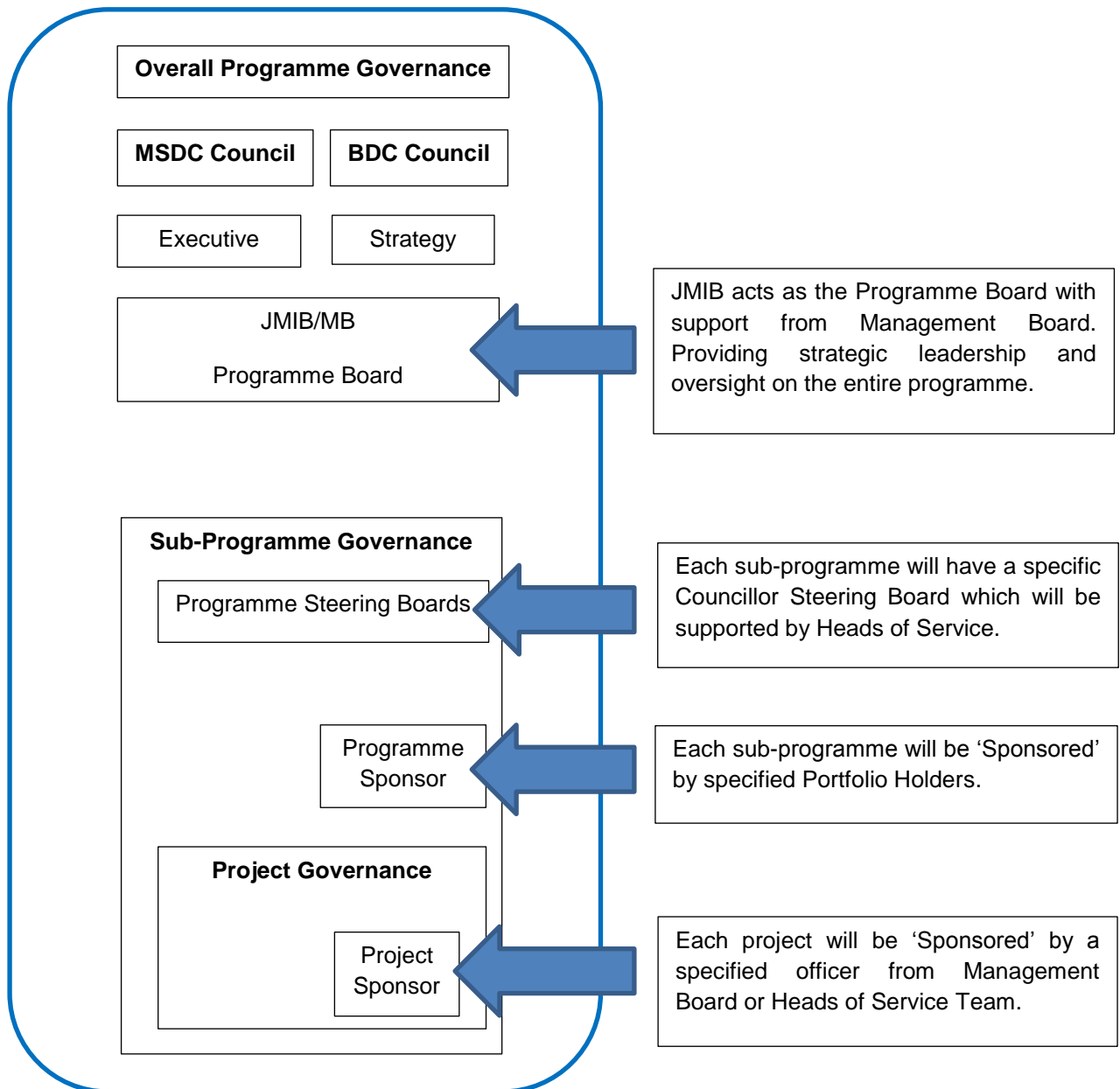
Financial Business Model

8. The Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending. At the same time though, there are also funding sources and opportunities that we are fully exploiting as part of our new business model.
9. The Councils need to be financially sustainable in the medium term. As part of our new business model and financial strategy we have decided that we will maximise incentivised funding streams from the government, and look to generate other income streams and use these to deliver our future plans. Councillors approved this approach and strategy in the February 2014 Budget reports and approval of the Medium Term Financial Strategy in February 2015 reinforces this approach. This will be alongside identifying further cost and efficiency savings.
10. The Councils are using Priority Based Resourcing to review all elements of our spending to align our budgets to priorities. This will enable us to ensure that all the public money that we spend is better targeted to achieve the outcomes that Councillors and our communities say are a priority.

11. In August 2014, the county were successful in a Transformation Challenge grant bid for extending shared management across Suffolk. It has been agreed that this Suffolk wide bid of £3.35m will be used to support a number of innovative projects involving different combinations of Suffolk public sector bodies.

Effective management of change and transformation – Delivery Programme

12. The Delivery Programme is the means by which the two Councils will deliver the Joint Strategic Plan and the councillors’ strategic priority outcomes. Below is the overall Programme Governance model to support this:



13. The Programme Steering Boards will provide the Councils with an interface through which Councillors will at a programme level hold officers to account for the delivery of the Councils’ priorities.

14. They will provide a mechanism for review of key elements of the individual programmes at key milestone stages. They will also, as required, provide a policy development function in respect of ideas development and consideration and the business case stage in project development.
15. These arrangements will be complemented by formal reporting arrangements to Strategy and Executive Committees and our workforce development and performance review mechanisms.

Ensuring effective arrangements are in place for the discharge of the Head of Paid service function

16. Vision and leadership is provided by the Chief Executive, whose responsibility is to create the conditions to build strong relationships and a strong reputation. She leads the organisation to achieve demanding strategic goals, ensuring that the management team drives performance that focuses on outcomes and delivery. The Chief Executive has strong and productive relationships with communities, working especially with the Leaders of the Councils and their senior councillor colleagues. She is accountable to Councillors for overall performance.

Ensuring effective arrangements are in place for the discharge of the monitoring officer function

17. The Monitoring Officer is responsible for ensuring that the Councils act in a lawful manner. This has been delivered through a range of measures including the Monitoring Officer attending Council and committee meetings where legal or probity issues are likely to arise and advising officers on Council and committee reports when required. The Monitoring Officer is a solicitor and has personally discharged her responsibilities to provide advice to Councillors on the Suffolk Local Code of Conduct, bias and predetermination and investigated conduct complaints. The Monitoring Officer is supported by two Deputies who assist with the discharge of functions.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

18. Ensuring compliance with established policies, procedures, laws and regulations involves a range of measures, including proactive monitoring of proposals and decisions.
19. Under Section 5 of the Local Government and Housing Act 1989 the Monitoring Officer is required to report to the Council where, in her opinion, a proposal, decision or omission by the Council, its Councillors or Officers is, or is likely to be, unlawful and also to report on any investigation by the Local Government Ombudsman. To facilitate the early identification of potential issues, the Monitoring Officer attends Management Board meetings. Regular Statutory Officers' Meetings have also been

established to identify any potential governance issues. It has not been necessary for the Monitoring Officer to issue any formal reports for the year 2014/15.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for councillors and staff

20. Councillor behaviours are governed by a code of conduct which is set out in the Councils' Constitution. The Suffolk Local Code of Conduct was adopted by the Council in 2012 and all Councillors have signed an undertaking to abide by its provisions and have completed a register of their personal interests. The Joint Audit and Standards Committee receives quarterly reports including summary details of breach of conduct complaints received by the Monitoring Officer and their respective outcomes and an update on compliance with the Localism Act 2011. Dealing with such complaints involves a role for 'Independent Persons'. The Councils have recruited 'Independent Persons' from a wide and diverse pool of suitable people to serve in that capacity for both Councils, Ipswich Borough Council and Suffolk County Council.

Role of the Chief Financial Officer

21. Each Council largely mirrors the recommendations made by CIPFA with regards to the role of the Chief Financial Officer and their position and status within each organisation. The Head of Corporate Resources is the appointed s151 Officer for both Councils. The s151 Officer is currently supported by the Interim Corporate Manager – Financial Services. The Corporate Manager has joint responsibility for financial activity reporting to both councils.
22. The s151 Officer attends Management Board, this being the key officer decision making body of the organisation responsible for developing, implementing and delivering the strategic objectives of both Councils.
23. All material financial decisions must be approved by the s151 Officer. The decision making structure of both organisations is designed to ensure that this happens through the report approval framework.
24. Processes, systems internal controls and risks are maintained and frequently reviewed in order to ensure that good financial management exists across both organisations and that value for money is achieved.
25. The Interim Corporate Manager – Financial Services, with responsibility for Finance for both Councils, is professionally qualified and skilled and is provided with the necessary resources to provide a finance function that is fit for purpose and suitably equipped to meet organisational and stakeholder needs.

Standing Orders, Financial Regulations and Scheme of Delegation

26. Each Constitution sets out its Contract Procedure Rules and guidance, Financial Regulations and Scheme of Delegation.

Risk Management Arrangements

27. The Councils have in place a process for identifying, assessing, managing and reviewing the key areas of risk and uncertainty that could impact on the achievement of the Councils' vision, priorities and outcomes.
28. A workshop was held to review and refresh the current Significant Business Risk Register to create a more aligned version which promoted and supported each Council's strategic priorities. A draft register has subsequently been created which links closely with the Strategic Priorities and Delivery Programme.
29. A follow up workshop is to be held in order to confirm risk owners and determine the future reporting arrangements. This will also provide an opportunity to review the Risk Management Strategy to ensure it is up to date and fit for purpose. The Strategy will help support and embed risk management across both Councils.
30. Managing risks at an operational level is the responsibility of service managers.

Counter Fraud and Corruption Arrangements

31. Councillors of the Joint Audit and Standards Committee receive an annual report entitled 'Managing the Risk of Fraud and Corruption' that provides a clear basis for raising awareness by setting out information that has been communicated to Councillors, staff and other stakeholders of the work the Councils undertake to manage the risk of fraud and corruption. It brings together in one document a summary of the outcomes of our work to deter, prevent and detect frauds and corruption over the last 12 months.
32. Internal Audit recently reviewed each Council's Anti-Fraud and Corruption policies to ensure they are in line with current regulation, peer behaviour and adopt the best practice from both Council's existing documents.
33. The two policies have now been brought together to make one succinct and easy to reference document which covers both Councils entitled 'Prevention of Financial Crime Policy'. The policy provides one point of reference on all aspects of financial crime that may be encountered in our normal working life, and clarifies the processes required to identify, report and process events.
34. Each Council's expectation of propriety and accountability is that Councillors and employees, at all levels, will lead by example in ensuring adherence to legal requirements, policies, procedures and practices.

35. In terms of benefit fraud, the Counter Fraud Team, based at Ipswich Borough Council Offices, is a section within the Audit Partnership that was formed in 2011. The team is an amalgamation of existing investigators from Ipswich Borough Council and Babergh and Mid Suffolk District Councils. The team undertakes dedicated fraud prevention, detection, investigation and intelligence gathering activities on behalf of the three Councils.
36. From the 1st May 2015 the way Housing Benefit fraud is investigated is changing for our Councils. Central Government has created a Single Fraud Investigation Service (SFIS) with statutory powers to investigate and sanction all benefit and tax credit offences, which will combine relevant resources across Local Authorities, HMRC, and DWP. Those staff affected based at Ipswich Borough Council will transfer to the DWP.
37. All other corporate fraud responsibilities remain the responsibility of management. These are set out in the Councils' 'Prevention of Financial Crime Policy' – see also paragraph 34.

Role of the Audit Committee

38. The Joint Audit and Standards Committee has responsibility for reviewing the adequacy of internal controls, monitoring the performance of Internal Audit, monitoring the effectiveness of the risk management framework, monitoring corporate performance and considering the effectiveness of the governance arrangements. This meets the core functions of an Audit Committee, as described in CIPFA's Audit Committees: Practical Guidance for Local Authorities.
39. The Committee ensures a consistency of approach, avoids duplication of resources and improves joint working between both Councils and will only address matters which are being progressed across both Councils.
40. Issues that are pertinent only to a single Council area will remain the preserve of that Council's Audit Committee.

Enhancing the accountability for service delivery and effectiveness of other public service providers

41. The revised role for the Joint Scrutiny Committee provides a clear focus on the impact of wider public sector organisations and bodies on our communities and the clear focus of scrutiny in holding to account the work and initiatives delivered by these organisations.
42. The key purpose of the Joint Scrutiny Committee is to:
 - Scrutinise the work of external stakeholders and service providers.
 - Hold Strategy and Executive Committees to account.
 - To be the home of 'Call-in' and "Councillor call for action".

Internal Audit

43. The Accounts and Audit Regulations 2011 require every local authority to maintain an adequate and effective internal audit function. Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives.
44. During 2014/15 an internal assessment of the service against the new Public Sector Internal Audit Standards took place and results show that Internal Audit is largely compliant with the Standards and no significant issues arose.
45. The Corporate Manager – Internal Audit is a suitably experienced officer who is able to comply with the principles set out in the CIPFA statement on the 'Role of the Head of Internal Audit'.

Opinion of the Corporate Manager – Internal Audit

46. This opinion relies on the key financial controls being in place and the corporate governance framework operating effectively. Based on the findings of the managed audit and corporate reviews carried out throughout 2014/15, and the outcomes of external assurance provider reports, it is the opinion of the Corporate Manager – Internal Audit that each Council's control environment provides assurance that the risks facing the Councils are addressed and financial administrative systems are on the whole effective.
47. Where issues have arisen during the year, action plans have been agreed with relevant managers to address the weaknesses identified.

Procedures for Whistleblowing and for receiving and investigating Complaints

48. A strong ethical and performance framework is in place to enable staff and Councillors of both Councils to operate effectively in their respective roles. As mentioned in paragraph 34 Internal Audit has created a single document entitled 'Prevention of Financial Crime Policy', which includes the Whistleblowing Policy. The Whistleblowing Policy, which has been revised as part of the Constitution review, allows both staff and members of the public including contractors to raise matters in a confidential manner to the Council.
49. A formal complaints policy exists to deal with other matters of public concern regarding the services provided by the Councils.
50. The Joint Audit and Standards Committee receive reports on any complaints made against Councillors relating to breaches of the Code of Conduct. Details of how to make a complaint and the Committee's procedure for dealing with Councillor complaints are available on each Council's website.

Ensuring development needs for staff and Councillors are met

51. A leadership development programme is being developed with managers and lead Councillors to build capacity and deliver a collective set of values and behaviours for the Councils. This work will be continuing and will be extended to involve all staff and Councillors.

Governance arrangements for Partnerships

52. Article 1 of both Councils' Constitution commits to providing clear leadership to the community in partnership with citizens, businesses and other organisations and effective decision making; and to improving the delivery of services to the community.

Looking ahead 2015/16

Current Future Focus and Challenges

53. We are currently working with the two new Councils elected in May 2015 and assessing and adapting to the needs of all councillors and the new political realities, especially the election of a Conservative-administration at Babergh – the first time that Council has seen any party or parties from a majority.
54. We are having conversations with all councillors, but especially the two political leaderships, to ascertain the focus for the Councils over the next 12 months and beyond, including a possible refresh of and revisit to the priorities contained in the current joint Strategic Plan to ensure that we remain along the right lines of our staff efforts and resource allocation.
55. That said, we believe that the future is likely to involve us undertaking some or all of the following activities, many of which are being developed through defined projects as part of the Delivery Programme:
- Work with communities to find new ways to empower them to take on further responsibilities themselves and develop solutions with others.
 - Transform our services so that they deliver a mixed approach that offers a joined up, 'no wrong door' approach and a positive experience.
 - Stop doing those things that are not aligned to our Councillors' agreed priorities or which have minimal impact on our communities.
 - Ensure prosperity and quality of life is available to all, while the populations of Babergh and Mid Suffolk grow considerably between now and 2035, particularly the aging population.
 - Reshape and adapt to be more flexible, quick-moving and responsive as we work with reduced resources (funding and people), competing priorities and rising expectations.

- Maximise the income we can generate by getting more houses built and helping the economy grow, whilst balancing this against protecting our environment and heritage.
- Improve our Planning 'Offer' including the time it takes to process applications.
- Work more closely with our partners; other public services, the community and voluntary sector, local businesses and communities.
- Deliver a new model for customer access and operational delivery that meets the needs of communities and provides economical more flexible ways of working across the districts.
- Have our eyes wide open with regard to legislative and policy changes ensuring we meet requirements and support our communities e.g. Universal Credit in 2015.

How will we achieve this?

56. In order to deliver the priorities and to meet the significant financial challenges facing each Council there is an urgent need to transform services and the way in which each Council operates. At the heart of transformation is a renewed focus on the priorities, our customers and our communities, with a determination to put people and outcomes ahead of organisational boundaries and bureaucracy. To achieve this, the Delivery Programme focuses on a number of projects that will be used when redesigning services and will be explicit in providing a focus for innovation and change. The governance arrangements underpinning the programme will help ensure that the responsibility and accountability arrangements are robustly managed.
57. Given the number and complexity of some projects senior management recognise that project management training will be needed and where necessary interim support measures brought in to drive these projects forward.
58. To help support and further modify our business model we need to adopt a more radical, transformational approach, to realign and produce sustainable budgets to bridge the funding gap. This will be achieved through the continuing Priority Based Resourcing (PBR), a method to allocate available resources (people, cash, and assets) towards activities that will deliver the Council's Strategic Priority Outcomes and help in reducing non-priority activities.
59. In addition, we are developing an Investment and Development Strategy for our two Councils. As set out in our Joint Strategic Plan our core funding from Government has and will continue to reduce dramatically. Hence we need to change our business and financial model as described above if we are to continue to provide key services and be financially sustainable in the future. In summary the part the Investment and Development Strategy will play in this is to explore and focus on how we can use our money, property and expertise to:
 - Generate income from sharing in the risks of property (commercial and residential) development, investment and management;

- Increase the rate of development of sites that are already allocated for development, in order to meet the needs of local communities and increase the rate at which New Homes Bonus and additional Business Rates are generated; and
- Increase the rate of return from our investments where the resultant increase in risk is acceptable.

Conclusion

60. The Annual Governance Statement provides an assurance of the effectiveness of each Council’s system on internal control. There have been no governance issues identified during the year that are considered significant in relation to each Council’s overall governance framework.
61. We are already addressing the key governance risks and challenges set out in this Annual Governance Statement and will continue to do so over the coming year to further strengthen our governance arrangements. We are satisfied that these steps will continue to address the need for any improvements that are required and that arrangements are in place to monitor the issues raised as part of each Council’s annual review.

Signed

Charlie Adan, Chief Executive

Date

Signed

Jennie Jenkins, Leader of the Council –
Babergh DC

Date

Signed

Derrick Haley, Leader of the Council –
Mid Suffolk DC

Date